ASX RELEASE **07 DECEMBER 2020**

CIRRALTO ENTERS INTO BUSINESS PAYMENTS SOLUTION PROVIDER AGREEMENT WITH FISERV AND VISA

Key Highlights

- The BPSP agreement incorporates a discounted merchant rate that will increase Cirralto's profit margins on credit and debit card payments by up to 40%. The discounted merchant rate reduces the Company's interchange cost price to process card transactions.
- Significant efficiency improvement in AML / KYC compliance and approval times.
- Significant Business Model improvements for Cirralto and its customers.

Cirralto Limited (ASX: CRO or the Company) is pleased to announce that it has entered into a Business Payments Service Provider ("BPSP") agreement with Fiserv (NASDAQ: FISV) and Visa International Limited ("Visa", NYSE:V, market capitalisation US$434 billion), in which Fiserv will serve as the exclusive merchant acquirer for Cirralto.

Cirralto's Managing Director Adrian Floate commented:

> "The BPSP agreement puts Cirralto in a prime position to build its market share in the digital payments sector and is a significant milestone for the Company. The agreements gives us the ability to compete with other global payment players and financial institutions targeting B2B customers and networks."

Commercial Summary

Cirralto has entered into a Business Payments Solution Provider Agreement with Fiserv (NASDAQ: FISV) and Visa International Limited ("Visa", NYSE:V), in which Fiserv will serve as the exclusive merchant acquirer for Cirralto under Visa's BPSP merchant services agreement. The BPSP Agreement enables Cirralto to commercialise the Spenda product with improved transactional profit margins and streamlined processes.

This agreement has been entered into following many months of mutual due diligence. The specifics of the agreement and the Visa BPSP program include:

- **Specifies Cirralto as the Merchant of Record on payment transaction**, or the entity authorised to process consumer credit card and debit card purchases on behalf of a business, on all B2B Customer payments.
- **Profit margin increase** of up to 40% on all digital payments where Cirralto is processing transactions between two businesses, being a retailer / or retail service provider and its suppliers.

- **Cirralto will utilise A$500,000 in capital as security deposits for the BPSP capital requirements**; these monies will be used to secure the facility and ensure Cirralto meets its Customer settlement obligations.
- **Streamlined merchant payment process / onboarding**, reducing onboarding times by 50%, accelerating merchant revenues and revenue ramp-up.
- **Full merchant funding control requiring Cirralto to settle funds into merchant accounts via EFT within 3 business days of cardholder transactions.**
- **Business model enhancements**, delivering better scope of data sharing and an expanded scope for Cirralto to offer business credit and pay by installment services (B2B Buy Now Pay Later) to customers in the form of merchant cash advances (see Figure 2).
- **Complements the existing agreement** with Fiserv (our merchant acquiring partner), enabling Cirralto to offer a broad range of B2C payments via terminals and eCommerce as well as the BPSP digital payment services.
- **Improved bank statement notation control and customer reconciliation automation**. When merchant deposits are made, the supplier will receive the exact amount of the invoice payment, reference details of the transaction (invoice or other transaction number) and the customer particulars to streamline the receipt reconciliation.
- The Company will pay the discounted BPSP merchant interchange rate on payments processed via its payments platform to FISERV, the BPSP merchant interchange rate is a 40% discount to the Company's current merchant rate. No other fees are payable under the agreement by the Company.
- The agreement commences on December 2 for a term of 12 months. The agreement automatically renews unless terminated.
- The agreement can be terminated by giving 30 days' advance written notice to Cirralto of material breaches of the Agreement that are not remedied within 30 days of receiving notice of it.
- A material breach includes fraud, excessive chargebacks, material change in operations or insolvency.

BPSP technical implementation is already underway and will be completed in the coming eight weeks. This implementation will improve the customers onboarding journey, AML / KYC delivery and when completed will improve the company's transactional margins in Q1 2021. The Company will continue to deliver services under its existing arrangements whilst these changes are delivered.

Significance of the BPSP Agreement

The BPSP agreement is an enabler of our vision to create a Ledger to Ledger payments service between businesses that provides operational efficiencies, improves trading relationships and most of all creates liquidity and cash flow optimization outcomes for our customers.

With the additional controls the BPSP agreement gives us in the formation, processing, settlement and reconciliation of payments transactions. We have positioned Cirralto and the Spenda ecosystem as an agile platform capable of adapting to different industries and B2B payment use cases.

"The BPSP gives us the flexibility to supply payments services to customers at a different scale and price point than would otherwise be possible via traditional merchant services. Without the BPSP, larger customer networks and market segments with thousands of buyers and sellers would be so time and resource-intensive that we simply couldn't pursue them.

"With the BPSP, we are able to automate substantial amounts of the onboarding process and perform the AML / KYC steps required to protect cardholders and merchants with digital steps that protect everyone and get them transacting in days, not months" said Managing Director Adrian Floate.

Business Model Enhancements

With the BPSP, Cirralto will bring to market an integrated eInvoicing, ePayment and financing services with a combination of direct and 3rd party funding that will bring liquidity and drive cash flow for buyers and sellers. With applications across multiple industries, this integrated set of services will enable Cirralto to not only utilise the strengths of its SaaS platform in the acquisition and retention of the customer but monetise by charging both payment processing and SaaS subscription fees. This income diversification enables us to bundle services and reduce the Customers total cost for the business payments software.

As the merchant of record, Cirralto is in control of disbursing Customer payments to Merchants via its open banking payments services. These open banking services also enable account to account transfers or traditional EFT's and the ability for the Customer to utilise their bank account as their preferred payment method.

Changing Customer to Supplier Payments (B2B)

At present, Customers are required to pay their Suppliers statement at the end of each month or a set number of days from the invoice date. Often these payment dates are viewed as a "guide" by the customer, with 53% of invoices paid outside of terms[1]. That said, sometimes a strict credit management regime is a strength, but at times it can create or force customer purchases outside of a Supplier's network to attract extended terms, resulting in lost revenue for the business if Customers are able to source more favourable terms elsewhere.

Today, B2B payments are accessed as a discrete service and only integrate partially for either the payer or the payee but never both players simultaneously. Traditionally these payments are made directly between the customer and supplier using billing platforms like BPay, ABA based EFT transfer via internet banking and direct merchant credit card facilities. Each of these attracts fees and charges from the processor but none simplify the process end-to-end making the lives of all parties simpler.

[1] https://www.xero.com/small-business-insights/wp-content/uploads/2019/06/xsbi-report-paying-the-price.pdf

With the BPSP agreement we are changing this structure and giving Customers and Suppliers more ways to trade and pay each other with reduced fees:

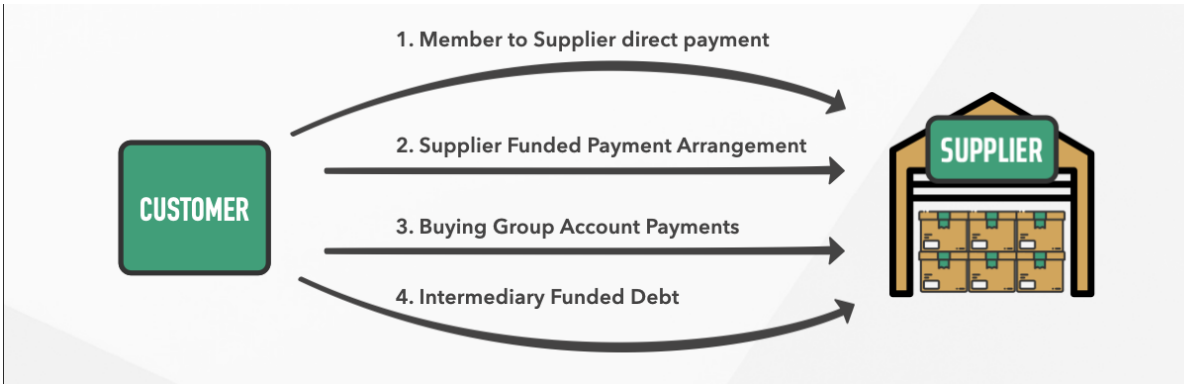

Figure 1 - Customer to Supplier payment methods

Payment Method	Debtor Days	Cost of Funds
Customer to Supplier Direct Debtor Account	Average 56 Days[2]	Up to 12% [3]
Supplier Funded payment Arrangements	Average 120 Days[4]	Up to 12%[5]
Spenda Intermediary Funding	Invoice + 3 Days	8%

Further to this, the BPSP agreement will provide in the near term the ability to interpose a funding partnership into the Customer to Supplier payment cycle and create B2B pay by installment services (or Buy Now Pay Later on standard cost of goods sold trade).

Under this approach, Suppliers would:

1. Receive full payment of the Customers purchases from the funder and therefore drive their internal cash flow;
2. Be able to offer extended terms to their Customers and preserve the Customer's ability to use their account with the full knowledge that they will not be placed on stop credit if they enter into an instalment arrangement; and
3. Utilise the Spenda system to automate the setup of the pay by instalment collection process from the Customer, so that reconciliation and collections are seamless.

[2] https://www.scotpac.com.au/wp-content/uploads/2020/05/ScotPac-SME-Growth-Index-April-2020.pdf
[3] https://www.rba.gov.au/publications/bulletin/2020/mar/developments-in-banks-funding-costs-and-lending-rates.html
[4] https://www2.deloitte.com/content/dam/Deloitte/au/Documents/audit/deloitte-au-audit-implications-supplier-finance-arrangements-trade-payables-2018-120718.pdf
[5] https://www.rba.gov.au/publications/bulletin/2020/mar/developments-in-banks-funding-costs-and-lending-rates.html

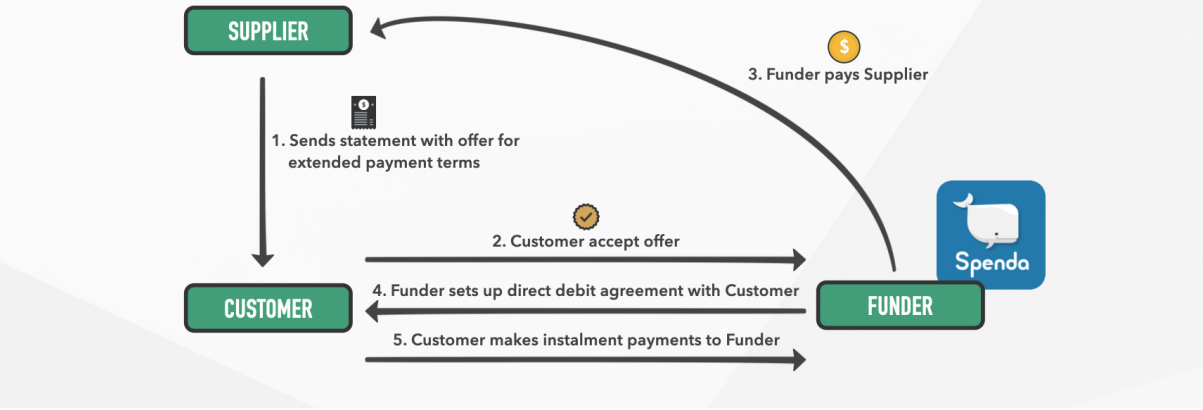

Figure 2 - SpendaCollect Intent to Pay with Funding

As Cirralto is the merchant on record for the payment services, it is able to offer the SpendaCollect service to Customers and enable the batch processing of accounts payments that are integrated with the buyers accounting software.

These funds are processed from the card in a single transaction then deposited into the Cirralto BPSP statutory trust account. To pay each supplier in the batch, the Spenda system then generates a series of credit transactions for each invoice and deposits each of these as unique transactions to speed up the suppliers' reconciliation processes.

This collaboration between accounts payable and receivable delivers all the benefits to the customer of the ABA file EFT payments with the rapid reconciliation benefits of billing platforms for the seller whilst also creating real-time interaction points for each party to gain instant access to further working capital via instalment and invoice finance services.

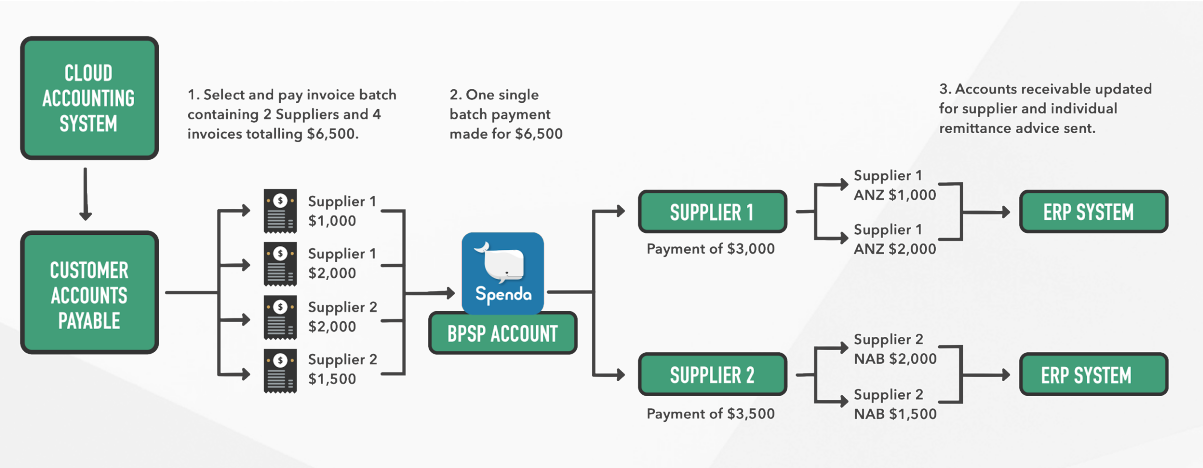

Figure 3 - Batch Payment Workflow through BPSP

Customer Benefits

- **Customers can pay their suppliers via credit card even if they don't accept credit card payments** - Business Customers can use their Visa or MasterCard card (including personal cards) to pay their entire accounts receivable using Spenda, funds are then distributed to the suppliers' bank via the Open Banking network.
- **Enabling payment via cards for all suppliers** - Small and medium businesses can shape their cash flow and take advantage of the 55 interest-free days available on most cards plus any Credit Card Reward points schemes.
- **Faster and simpler reconciliation of batch payments** - Customer batch payments are allocated and posted directly to their accounts payable ledger.
- **Payment passport** - Centralised tokenization means that Customers can manage their supplier payment methods from a single point. If your credit card changes or you wish to add another you have only one place to update for all of your suppliers.

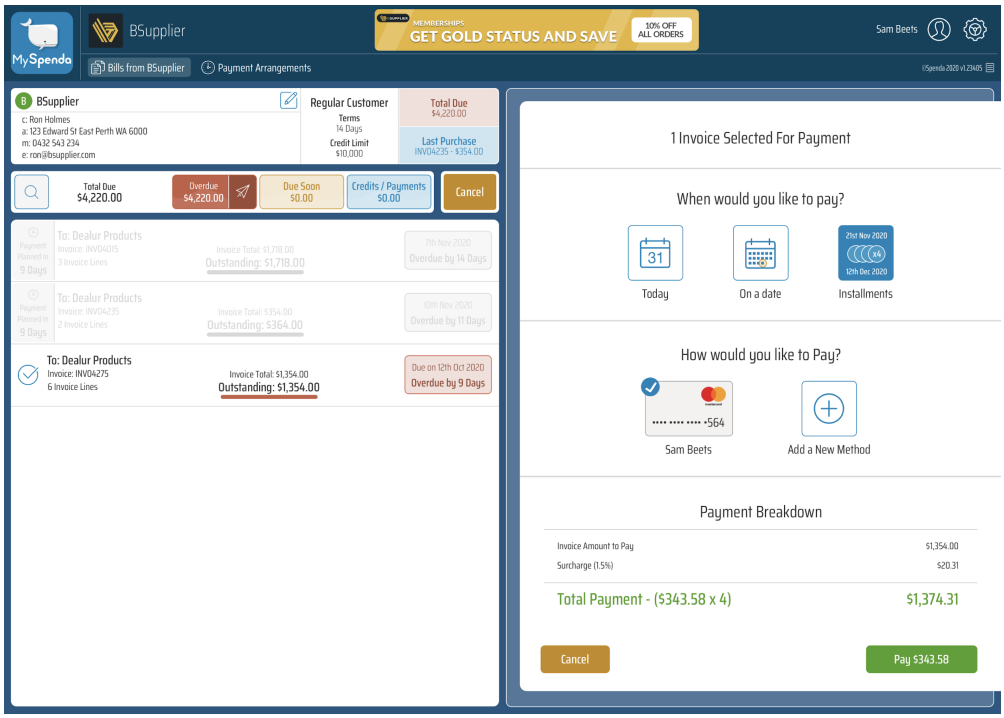

Figure 3 - Spenda "Intent to Pay" Payment Interface

Supplier Benefits

- **Removal of merchant statement reconciliation** - by itemising fund deposits and annotating the bank statement for all invoice receipts processed via the SpendaCollect payment service, suppliers can quickly reconcile merchants' payments via bank feeds or traditional methods.
- **Faster Onboarding** - using our open banking integration, Spenda can automate and accelerate the AML and KYC onboarding process allowing buyers and suppliers to connect and process payments within 48 hours.
- **Automated Payments** - leveraging the BPSP will also allow Cirralto to take automatic payments which process as soon as a purchase invoice becomes overdue. Suppliers can also

incentivise customers to enable auto payments by offering a customisable percentage discount which is automatically calculated and applied to the trading relationship.

- **Intent to Pay Framework** - An intent to pay framework allows customers to set a scheduled payment plan with their suppliers to settle debt. Customers arrangements which are sent to the supplier providing certainty around their intentions to pay.
- **Workflow Payments** - Workflow payments allow a business to get paid for products and services at the point the job is complete, or a delivery made, with verified customer payment details. With this infrastructure, friction is removed from the payment process and certainty is created in debt recovery for the seller.

About Spenda

The Spenda solution is a family of products designed to support businesses in all their day-to-day activities. Unlike other software platforms that offer part of the solution, the Spenda suite improves efficiency and productivity in every area of business and has payments and finance capabilities incorporated in its core functionalities.

The Spenda suite is built on a framework of strong integrations at its core. The backend powerhouse that drives Spenda is an open-auth integration platform that enables customers to sync data across their cloud app ecosystem into their accounting and ERP software. This engine can push and pull business data such as debtors, creditors, inventory and transactions (purchase orders, invoices, credit notes etc) in real-time or based on user-driven events. With Spenda, businesses can connect to their customers and their catalogues to quickly and easily share data.

The Spenda product suite includes software to support; Point of Sale, Inventory Management, Procurement, Service Management, Debt Collection, Payment Services, eCommerce and Catalogue sharing.

Spenda removes business inefficiencies allowing businesses to do the job once, with no double data entry and removes manual, paper-based processes that are time-consuming and prone to errors. On top of that, the product is mobile, with modules accessible on tablets and phones as well as desktop.

About Fiserv

Cirralto entered a partnership with Fiserv, Inc. (NASDAQ: FISV) in March, 2020 to facilitate the release of our merchant payment services. This partnership allowed Cirralto to offer both EFTPOS and online payment services to its customers. This original agreement enabled the Company to charge customers merchant fees on a sliding scale, with the base blended merchant fee of 1.5%.

Fiserv is a global leader in Fintech and payments, enabling innovative financial services experiences that are in step with the way people live and work today. As a leader in payments and financial technology, the company helps clients achieve best-in-class results through a commitment to innovation and excellence in areas including account processing and digital banking solutions; card issuer processing and network services; payments; e-commerce; merchant acquiring and processing;

and the Clover™ cloud-based point-of-sale solution. Fiserv is a member of the S&P 500® Index and the FORTUNE®500, and is among the FORTUNE Magazine World's Most Admired Companies®.

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About Cirralto

Cirralto Limited (ASX:CRO) is a transaction services business supplying industries with a broad range of B2B payment services, digital trading software and integrated solutions. Our goal is to convert EFT payments to card payments utilising the BPSP engagement coupled with our payments collaboration framework. Our competitive advantages deliver customers end-to-end e-invoicing integration, rapid ordering, digital trust and automated reconciliation.

Cirralto supplies its customers a recipe of integrated software to create a vertical market standard operating environment (SOE) that enables the effective and seamless transfer of data from multiple, disparate software systems in one standardised technology solution, such as SpendaRetail. Cirralto has licensing agreements with third party software vendors that enable it to provide integrated SOE solutions to its customers.

For investors seeking information on the Company's activities that relate to marketing, customer events and other acknowledgement of customer activities, this information will be posted to the Company's news section of the website and on social media channels with the handle #getSpenda, active on Twitter, LinkedIn, Instagram and FaceBook.

For more information, see https://www.cirralto.com.au/

This announcement has been authorised by the Board.

Investor Enquiries

Please email: shareholders@cirralto.com.au